# WEEKLY ECONOMIC REVIEW

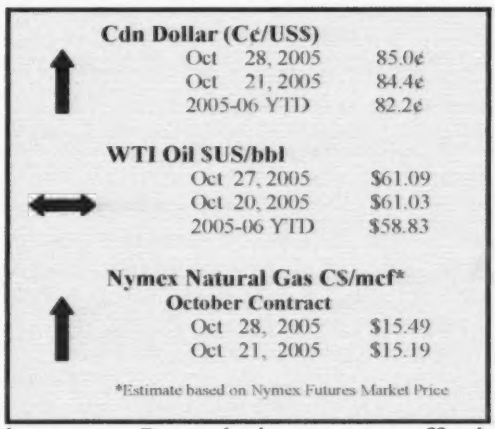
**OCTOBER 28, 2005**

U.S. economic growth was stronger than expected in the third quarter of 2005, rising by an estimated 3.8 per cent. This was up from the 3.3 per cent registered in the second quarter and suggests the economy weathered most of the effects of both hurricanes. Strength in consumer and federal government spending were the main contributers to the gain.

Inflation in the United States also continued to tick up in the third quarter, as the price of personal expenditures increased by 3.7 per cent. Even though this was the largest gain since the first quarter of 2004, most of the increase was due to energy prices.

With strong growth and rising inflation, expectations of the Federal Reserve to increase interest rates at next week's meeting remain.

President Bush nominated Ben Bernanke to replace Alan Greenspan as Chairman of the Federal Reserve Board of Governors early next year. As a respected Princeton economist focusing on monetary policy and specifically inflation targeting, as well as being an experienced Board member for three years, Bernanke is seen as an effective nominee for the continuity of the current direction of U.S. monetary policy.




Energy prices continue to be the main driver of inflation in Canada and Alberta, contributing to over half of the increase nationally and almost two-thirds of the increase in Alberta. September inflation increased by 3.4 per cent in Canada and by 3.5 per cent in Alberta from September 2004. Nonetheless, core inflation (excluding volatile food and energy prices) in both Canada and Alberta remains contained.

| Economic Indicators Released this Week | Reference Period | Month/Previous Month | Month/Previous Year's Month | Year-to-date[1] |
|---|---|---|---|---|
| **Consumer Price Index (1997=100)** | **September** | | | |
| **Alberta** | 136.6 | 1.2% | 3.5% | 1.9% |
| **Canada** | 129.1 | 0.9% | 3.4% | 2.2% |
| **Industrial Product Price Index (1997=100)** | **September** | | | |
| **Canada** | 111.6 | 0.4% | 0.6% | 1.2% |
| **Raw Materials Price Index (1997=100)** | **September** | | | |
| **Canada** | 152.7 | -0.3% | 14.3% | 12.9% |
| | | **Quarter/ Previous Quarter** | **Quarter/Previous Quarter (Annualized Rate)** | **Quarter/Previous Year's Quarter** |
| **US GDP** | **3rd Quarter 2005** | 0.9% | 3.8% | 3.6% |

*Source: Statistics Canada and Bureau of Economic Analysis*
*[1]Year-to-date 2005 compared to the same time period in 2004. For example: January-September 2005 versus January-September 2004*

Alberta Finance